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HOUSE BILL 20-1003

BY REPRESENTATIVE(S) Roberts and Rich, Buentello, McCluskie, McLachlan, Pelton, Soper, Will, Arndt, Bird, Buckner, Cutter, Esgar, Exum, Froelich, Gonzales-Gutierrez, Gray, Hooton, Kennedy, Kraft-Tharp, Melton, Michaelson Jenet, Sirota, Snyder, Titone, Valdez D., Wilson, Woodrow, Young, Becker, Bockenfeld, Duran;
also SENATOR(S) Donovan and Scott, Bridges, Cooke, Coram, Crowder, Danielson, Ginal, Hansen, Hisey, Priola, Rankin, Smallwood, Sonnenberg, Tate, Todd, Winter, Zenzinger, Garcia.

CONCERNING MODIFICATIONS TO THE RURAL JUMP-START ZONE ACT.

Be it enacted by the General Assembly of the State of Colorado:

SECTION 1. In Colorado Revised Statutes, 39-30.5-102, **amend** (2) as follows:

39-30.5-102. Legislative declaration. (2) The general assembly further finds and declares that:

(a) Establishing certain rural jump-start zones is best suited to bring about the economic vitality so critically needed in those regions;

Capital letters or bold & italic numbers indicate new material added to existing law; dashes through words or numbers indicate deletions from existing law and such material is not part of the act.

(b) EXTENDING THE "RURAL JUMP-START ZONE ACT" FOR ANOTHER FIVE-YEAR PERIOD IS NECESSARY TO MEET THE PURPOSE OF THE ACT, WHICH IS TO CREATE OR RETAIN JOBS IN ORDER TO HELP ADDRESS THE STILL SIGNIFICANT CONTRACTION OF LOCAL ECONOMIES IN CERTAIN AREAS OF THE STATE; AND

(c) WHEN THE STATE AUDITOR EVALUATES THE TAX EXPENDITURES IN THE "RURAL JUMP-START ZONE ACT" AS REQUIRED IN SECTION 39-21-305, THE EVALUATION CAN RELY ON CLEAR, RELEVANT, AND ASCERTAINABLE METRICS AND DATA PROVIDED BY THE COMMISSION PURSUANT TO SECTION 39-30.5-107.

SECTION 2. In Colorado Revised Statutes, 39-30.5-103, **amend** the introductory portion and (7)(d); and **add** (1.5) and (4.5) as follows:

39-30.5-103. Definitions. As used in this ~~article~~ ARTICLE 30.5, unless the context otherwise requires:

(1.5) "COLORADO OFFICE OF ECONOMIC DEVELOPMENT" OR "OFFICE" MEANS THE COLORADO OFFICE OF ECONOMIC DEVELOPMENT CREATED IN SECTION 24-48.5-101.

(4.5) "ECONOMIC DEVELOPMENT ORGANIZATION" MEANS A NONPROFIT ORGANIZATION OR GOVERNMENTAL ENTITY SUCH AS A SMALL BUSINESS DEVELOPMENT CENTER, A BUSINESS ACCELERATOR OR INCUBATOR, A WORKFORCE CENTER, A LOCAL ECONOMIC DEVELOPER, OR OTHER SUCH ORGANIZATION OR ENTITY THAT PROMOTES LOCAL ECONOMIC DEVELOPMENT, BUT DOES NOT INCLUDE THE COMMISSION OR THE OFFICE.

(7) "New business" means a business that:

(d) Is not substantially similar in operation to and, AT THE TIME THE NEW BUSINESS SUBMITS ITS APPLICATION TO PARTICIPATE IN THE RURAL JUMP-START ZONE PROGRAM, does not directly compete with the core function of a business that is operating in ~~the state at the time the new business submits its application to a state institution of higher education to participate in the rural jump-start zone program~~ THE RURAL JUMP-START ZONE IN WHICH THE NEW BUSINESS WILL BE LOCATED AND IN A DISTRESSED COUNTY CONTIGUOUS TO THE RURAL JUMP-START ZONE; and

SECTION 3. In Colorado Revised Statutes, 39-30.5-104, **amend** (1)(a) introductory portion, (1)(a)(III), (4), (5), (6)(a) introductory portion, (6)(a)(I), (6)(a)(III) introductory portion, (6)(a)(III)(B), (6)(b) introductory portion, (6)(b)(I), (7)(a), (7)(b)(I), (7)(b)(II), and (9); and **add** (4.5) as follows:

39-30.5-104. Rural jump-start zone program requirements - commission guidelines - definitions. (1)(a) The commission shall develop guidelines for the administration of the rural jump-start zone program created in this ~~article~~ ARTICLE 30.5, including, but not limited to:

(III) Guidelines concerning the process by which the commission will determine whether a new business is not substantially similar in operation to and does not directly compete with the core function of a business that is operating in the ~~state~~ RURAL JUMP-START ZONE IN WHICH THE NEW BUSINESS WILL BE LOCATED AND IN A DISTRESSED COUNTY CONTIGUOUS TO THE RURAL JUMP-START ZONE at the time the new business submits its application to a state institution of higher education OR AN ECONOMIC DEVELOPMENT ORGANIZATION to participate in the rural jump-start zone program.

(4) (a) A state institution of higher education OR AN ECONOMIC DEVELOPMENT ORGANIZATION intending to participate in the rural jump-start zone program shall adopt a conflict of interest policy. The conflict of interest policy must provide that:

(I) A representative of the state institution of higher education OR THE ECONOMIC DEVELOPMENT ORGANIZATION may not use the relationship between the state institution of higher education OR THE ECONOMIC DEVELOPMENT ORGANIZATION and the new business as a means for inurement or private benefit to the representative of the state institution of higher education OR THE ECONOMIC DEVELOPMENT ORGANIZATION, any relative of such representative, or any business interests of such representative;

(II) A person who engages in the business of selling goods or services to a state institution of higher education OR TO AN ECONOMIC DEVELOPMENT ORGANIZATION, an employee of such person, or a person with a business interest in such person's business shall not vote on or participate in the administration by the state institution of higher education

OR BY THE ECONOMIC DEVELOPMENT ORGANIZATION of any transaction with such business; and

(III) (A) Upon becoming aware of an actual or potential conflict of interest, a representative of the state institution of higher education OR THE ECONOMIC DEVELOPMENT ORGANIZATION shall advise the chief academic officers or executive director of the institution OR THE EXECUTIVE DIRECTOR OF THE ECONOMIC DEVELOPMENT ORGANIZATION of the conflict.

(B) Each state institution of higher education AND EACH ECONOMIC DEVELOPMENT ORGANIZATION shall maintain a written record of all disclosures made pursuant to ~~sub-subparagraph (A) of this subparagraph~~ (HH) SUBSECTION (4)(a)(III)(A) OF THIS SECTION.

(C) By January 31, 2016, and by January 31 of each year thereafter, ~~a~~ EACH state institution of higher education AND EACH ECONOMIC DEVELOPMENT ORGANIZATION shall provide the record maintained under ~~sub-subparagraph (B) of this subparagraph~~ (HH) SUBSECTION (4)(a)(III)(B) OF THIS SECTION to the commission.

(b) For the purposes of a conflict-of-interest policy developed under ~~paragraph (a) of this subsection~~ (4) SUBSECTION (4)(a) OF THIS SECTION:

(I) "Business interest" means that a representative:

(A) Owns or controls ten percent or more of the stock of the entity;

or

(B) Serves as an officer, director, or partner of the entity.

(II) "Relative" means any person living in the same household as the representative of the state institution of higher education OR OF THE ECONOMIC DEVELOPMENT ORGANIZATION, any person who is a direct descendant of the representative's grandparents, or the spouse of such representative.

(III) "Representative of the state institution of higher education OR OF THE ECONOMIC DEVELOPMENT ORGANIZATION" means any employee with decision-making authority over the rural jump-start zone program.

(4.5) AN ECONOMIC DEVELOPMENT ORGANIZATION INTENDING TO PARTICIPATE IN THE RURAL JUMP-START ZONE PROGRAM MUST BE APPROVED BY THE COMMISSION AS ESTABLISHED IN THE COMMISSION'S GUIDELINES.

(5) A new business ~~shall~~ MUST apply to a state institution of higher education OR AN ECONOMIC DEVELOPMENT ORGANIZATION to participate in a rural jump-start zone program. The state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION shall require the new business to provide documentation that the new business meets the definition of new business as specified in section 39-30.5-103 (7) and that the new hires will meet the definition of new hire as specified in section 39-30.5-103 (8). If the state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION approves the new business, then the state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION shall apply to the commission for the approval of a rural jump-start zone as specified in subsection (6) of this section and approval of the new business for the rural jump-start zone program benefits as specified in subsection (7) of this section.

(6)(a) Upon approving a new business as specified in subsection (5) of this section, the state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION shall submit a complete written application for approval for a rural jump-start zone to the commission by the deadline established in the commission's guidelines. The application must include:

(I) EITHER THE identification of:

(A) The state institution of higher education and identification of either the distressed county in which a campus is located or the distressed county that is included in the community college's service area or the regional education provider's service area; OR

(B) THE ECONOMIC DEVELOPMENT ORGANIZATION AND IDENTIFICATION OF THE DISTRESSED COUNTY IN WHICH THE ORGANIZATION IS LOCATED OR SERVES;

(III) Satisfactory documentation that there exists a relationship between the new business and the state institution of higher education OR BETWEEN THE NEW BUSINESS AND THE ECONOMIC DEVELOPMENT ORGANIZATION. Such documentation must show that:

(B) The mission and activities of the new business align with or further EITHER the academic mission of the state institution of higher education OR THE MISSION OF THE ECONOMIC DEVELOPMENT ORGANIZATION.

(b) A state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION may also submit a complete written application for approval for a rural jump-start zone to the commission by the deadlines established in the commission's guidelines when such state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION has not yet approved a new business as specified in subsection (5) of this section. In this case, the application must include:

(I) (A) Identification of the state institution of higher education and identification of either the distressed county in which a campus is located or the distressed county that is included in the community college's service area or the regional education provider's service area; OR

(B) IDENTIFICATION OF THE ECONOMIC DEVELOPMENT ORGANIZATION AND IDENTIFICATION OF THE DISTRESSED COUNTY IN WHICH THE ORGANIZATION IS LOCATED OR SERVES.

(7) (a) The commission shall, at a public meeting properly noticed, review each application for a rural jump-start zone submitted by a state institution of higher education OR AN ECONOMIC DEVELOPMENT ORGANIZATION. Based on the application submitted and the commission's guidelines, the commission may approve the rural jump-start zone and may approve the new business for the rural jump-start zone program benefits specified in section 39-30.5-105; except that the commission may not approve more than three rural jump-start zones for the 2016 calendar year and may not approve any rural jump-start zones or approve any new businesses for the rural jump-start zone program benefits on and after ~~January 1, 2021~~ JANUARY 1, 2026. The commission may only approve a new business for the rural jump-start zone program benefits if the commission is satisfied that the new business meets the definition of new business as specified in section 39-30.5-103 (7), that the new hires will meet the definition of new hire as specified in section 39-30.5-103 (8), and that the new business will be located in the rural jump-start zone for which the state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION sought approval.

(b) (I) A new business that receives approval as specified in ~~paragraph (a) of this subsection (7)~~ SUBSECTION (7)(a) OF THIS SECTION for the rural jump-start zone program benefits must submit a request for the issuance of a credit certificate by the deadlines established in the commission's guidelines. The request must include an estimated amount, as calculated by the new business, of the income tax credits for the new business and any new hires and the sales and use tax refunds allowed in section 39-30.5-105 and an estimated amount, as calculated by the new business, of incentive payments, exemptions, or refunds provided by local governments as specified in section 39-30.5-106.

(II) The commission shall not issue more than a total of two hundred credit certificates in one income tax year for all new hires employed by all new businesses in each rural jump-start zone that receive approval as specified in ~~paragraph (a) of this subsection (7)~~ SUBSECTION (7)(a) OF THIS SECTION; except that the commission has the discretion to increase this limit to three hundred credit certificates if the new business is in one of the fourteen industries that the commission targets for economic development in the state.

(9) The Colorado office of economic development ~~created in section 24-48.5-101, C.R.S.,~~ may make recommendations to the commission regarding any of the commission's duties and responsibilities outlined in this ~~article~~ ARTICLE 30.5, may provide staff assistance to the commission, and may assist the commission in administering the provisions of this ~~article~~ ARTICLE 30.5.

SECTION 4. In Colorado Revised Statutes, 39-30.5-105, **amend** (1)(a), (2)(a), (3)(a), and (3)(b) as follows:

39-30.5-105. Rural jump-start zone program benefits. (1) **New business income tax credit.** (a) (I) If a new business locates in a rural jump-start zone during the income tax years commencing on or after January 1, 2016, but before ~~January 1, 2021~~ JANUARY 1, 2026, and the commission has approved the new business for the rural jump-start zone program benefits as specified in section 39-30.5-104 (7)(a), then except as provided in ~~subparagraph (II) of this paragraph (a)~~ SUBSECTION (1)(a)(II) OF THIS SECTION, the new business is entitled to receive an annual income tax credit in an amount equal to one hundred percent of the income taxes imposed by article 22 of this ~~title~~ TITLE 39 on the income derived from its

activities in the rural jump-start zone for four consecutive income tax years beginning with the first income tax year designated by the commission in the first credit certificate. The commission shall conduct an annual review to verify that the new business continues to meet the requirements set forth in this ~~article~~ ARTICLE 30.5 and shall issue a credit certificate to the new business for every income tax year during the four-year period only if the commission is satisfied the requirements are being met.

(II) A new business may seek an extension of the four-year benefits period specified in ~~subparagraph (I) of this paragraph (a)~~ SUBSECTION (1)(a)(I) OF THIS SECTION by completing a written application to the commission. The extension may not exceed an additional four years. The application for extension must include an explanation of the new business' need for the extension and any other information the commission deems necessary. In deciding whether to grant the extension, the commission must consider the state of the economy in the rural jump-start zone, the estimated demand for tax credits allowed in this section for other new businesses, and the importance of these credits in incentivizing the new business. The extension application must be considered at a regularly scheduled meeting of the commission where the public is allowed to comment.

(2) **New hire income tax credit.** (a) (I) Except as provided in section 39-30.5-104 (7)(b)(II) and ~~subparagraph (II) of this paragraph (a)~~ SUBSECTION (2)(a)(II) OF THIS SECTION, if a new hire is employed by a new business, and the commission has approved the new business for the rural jump-start zone program benefits as specified in section 39-30.5-104 (7)(a), for income tax years commencing on or after January 1, 2016, but before ~~January 1, 2021~~ JANUARY 1, 2026, new hires are entitled to receive an income tax credit in an amount equal to one hundred percent of the income taxes imposed by article 22 of this ~~title~~ TITLE 39 on the new hire's wages paid by the new business for work performed in the rural jump-start zone for four consecutive income tax years beginning with the first income tax year in which the new hire is employed by the new business. The commission shall conduct an annual review to verify that the new hire and the new business continue to meet the requirements set forth in this ~~article~~ ARTICLE 30.5 and shall issue a credit certificate to the new business for each new hire for every income tax year during the four-year period only if the commission is satisfied the requirements are being met.

(II) A new business may seek an extension of the four-year benefits

period specified in ~~subparagraph (f) of this paragraph (a)~~ SUBSECTION (2)(a)(I) OF THIS SECTION by completing a written application to the commission. The extension may not exceed an additional four years. The application for extension must include an explanation of the new business' need for the extension and any other information the commission deems necessary. In deciding whether to grant the extension, the commission must consider the state of the economy in the rural jump-start zone, the estimated demand for tax credits allowed in this section for other new businesses, and the importance of these credits in incentivizing the new business. The extension application must be considered at a regularly scheduled meeting of the commission where the public is allowed to comment.

(3) **New business sales and use tax refund.** (a) Each new business is eligible for a refund for all sales and use taxes imposed under parts 1 and 2 of article 26 of this ~~title~~ TITLE 39 on the purchase of all tangible personal property acquired by the new business and used exclusively within the rural jump-start zone. Except as provided in ~~paragraph (b) of this subsection (3)~~ SUBSECTION (3)(b) OF THIS SECTION, the new business is eligible for the refund allowed in this ~~paragraph (a)~~ SUBSECTION (3)(a) for four consecutive years beginning with the date the commission approved the new business for the rural jump-start zone program benefits as specified in section 39-30.5-104 (7)(a).

(b) A new business may seek an extension of the four-year period specified in ~~paragraph (a) of this subsection (3)~~ SUBSECTION (3)(a) OF THIS SECTION by completing a written application to the commission. The extension may not exceed an additional four years. The application for extension must include an explanation of the new business' need for the extension and any other information the commission deems necessary. In deciding whether to grant the extension, the commission must consider the state of the economy in the rural jump-start zone, the estimated demand for sales and use tax refunds allowed in this section for other new businesses, and the importance of the refund in incentivizing the new business. The extension application must be considered at a regularly scheduled meeting of the commission where the public is allowed to comment.

SECTION 5. In Colorado Revised Statutes, 39-30.5-107, **amend** (1) as follows:

39-30.5-107. Rural jump-start zone reporting requirements.

(1) The commission shall annually post on the Colorado office of economic development's website, and include in the commission's annual report required to be presented to the general assembly pursuant to section 24-46-104 (2), ~~C.R.S.~~, the following information regarding any rural jump-start zone program benefits allowed under this ~~article~~ ARTICLE 30.5:

(a) The distressed county and interested municipalities that make up ~~the~~ EACH rural jump-start zone, THE NUMBER OF APPROVED RURAL JUMP-START ZONES, THE DISTRIBUTION OF NEW BUSINESSES ACROSS RURAL JUMP-START ZONES, AND THE NUMBER OF RURAL JUMP-START ZONES THAT HAVE GRADUATED FROM THE RURAL JUMP-START ZONE PROGRAM, INCLUDING A COMPARISON OF SUCH NUMBERS BEFORE AND AFTER THE RURAL JUMP-START PROGRAM RENEWAL IN 2020;

(b) The state institution of higher education OR ECONOMIC DEVELOPMENT ORGANIZATION that submitted the application;

(c) The name, TYPE, AND ACTIVE OR INACTIVE STATUS of ~~the~~ EACH APPROVED new business, INCLUDING WHETHER THE NEW BUSINESS IS IN AN ADVANCED INDUSTRY AS DEFINED IN SECTION 24-48.5-117 (2)(a), AND A COMPARISON OF THE TOTAL NUMBER OF APPROVED AND ACTIVE NEW BUSINESSES OVER TIME;

(d) ~~The type of new business~~ EVIDENCE OF ANY ANCILLARY ECONOMIC DEVELOPMENT OCCURRING IN ANY RURAL JUMP-START ZONE AS A RESULT OF THE RURAL JUMP-START PROGRAM;

(e) The tax year for which the first credit certificate is issued or the date the sales and use tax refund is authorized;

(f) The number of new hires hired AND THE NUMBER OF INDIVIDUALS HIRED BY A NEW BUSINESS THAT DO NOT MEET THE NEW HIRE DEFINITION SPECIFIED IN SECTION 39-30.5-103 (8);

(g) The average salary or hourly wage of each new hire;

(h) An estimated amount, as calculated by the new business, of the income tax credits for the new business and any new hires and the sales and use tax refunds allowed in section 39-30.5-105, and an estimated amount, as calculated by the new business, of incentive payments, exemptions, or

refunds provided by local governments as allowed in section 39-30.5-106;
and

(i) Any other economic benefits resulting from the rural jump-start zone program.

SECTION 6. No appropriation. The general assembly has determined that this act can be implemented within existing appropriations, and therefore no separate appropriation of state money is necessary to carry out the purposes of this act.

SECTION 7. Act subject to petition - effective date - applicability. (1) This act takes effect at 12:01 a.m. on the day following the expiration of the ninety-day period after final adjournment of the general assembly (August 5, 2020, if adjournment sine die is on May 6, 2020); except that, if a referendum petition is filed pursuant to section 1 (3) of article V of the state constitution against this act or an item, section, or part of this act within such period, then the act, item, section, or part will not take effect unless approved by the people at the general election to be held in November 2020 and, in such case, will take effect on the date of the official declaration of the vote thereon by the governor.

(2) This act applies to applications submitted on or after the applicable effective date of this act.

KC Becker
SPEAKER OF THE HOUSE
OF REPRESENTATIVES

Leroy M. Garcia
PRESIDENT OF
THE SENATE

Robin Jones
CHIEF CLERK OF THE HOUSE
OF REPRESENTATIVES

Cindi L. Markwell
SECRETARY OF
THE SENATE

APPROVED _____
(Date and Time)

Jared S. Polis
GOVERNOR OF THE STATE OF COLORADO